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DEPARTMENT OF AGRICULTURE
RURAL ELECTRIFICATION ADMINISTRATION

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AFTERNOON NEWSPAPERS OF
SATURDAY, NOVEMBER 18, 1939.

(Advance) Lafayette, Alabama, November 18 -- Sharply criticizing Commonwealth and Southern Corporation subsidiaries in the South for failure to build rural power lines in the past, Director David E. Lilienthal of the Tennessee Valley Authority told a group of farm people here today that if Southern farms are to be electrified, farm people must do the job themselves and overcome vigorous power company opposition to their efforts. Mr. Lilienthal was speaking at the energization celebration of the Tallapoosa River Electric Membership Corporation, a cooperative financed by the Rural Electrification Administration and buying power at wholesale from the City of Lafayette.

Mr. Lilienthal cited the record of the Alabama Power Company in support of his contention that farmers could not depend upon the private utility industry to get service to them. "In 1923," he said, "the Alabama Power Company launched what it called a 'program' of rural electrification. Ten years later the State still had virtually no rural electrification.At the end of 1932, less than 5 percent (of Alabama's 250,000 farms) had electric service."

He told how the development of farmers' power cooperatives in the South has been hampered by "a common policy among the Southern companies of the Commonwealth and Southern system." He said:

"Obstructive lawsuits, the spreading of false reports, and the building of what Tennessee farmers aptly named 'spite lines' became accepted practice of the companies. When the farmers organized their own cooperatives.....to go after the electric service they had so long desired, the Commonwealth and Southern companies in Alabama, Georgia and Tennessee said, in effect, 'we have not provided you with widespread rural electrification; we will not let you achieve it for yourselves'."

The lack of progress, recorded before REA and TVA were created, Mr. Lilienthal said, "was not because the Alabama Power Company or the other private power companies were in a difficult financial situation.In 1938 the Alabama Power Company paid common stock dividends and in addition set aside a surplus of \$3,500,000.While the utilities enjoyed prosperity, even when other businesses drooped, Southern farms continued without a real electricity program."

Mr. Lilienthal said that passage of the TVA Act in May, 1933, "proclaimed a new national policy that, private utilities having failed, it became the duty of the Government itself, in cooperation with farmers and farm organizations, to bring to the farm homes of the Tennessee Valley region, as rapidly as possible, the blessings of electricity." Two years later, he said, this policy was extended to the 6 million unelectrified farms in the United States by the Rural Electrification Act, which he called "one of the most far-reaching measures in the interests of the average man and woman ever placed on the statute books of America."

Mr. Lilienthal praised the cooperative as the democratic solution to the problem of electrifying American farms. He called the cooperatives "organizations created by and speaking for the farmers themselves," and cited the three principles on which the first TVA cooperative electric associations were formed and began operations in northern Mississippi in 1934. "First," he said, "there was the principle that the farmers of America have a right to demand and expect the benefits and advantages of electricity, provided they will do their share at the grass roots to reach that objective.Second.....farm electrification should be carried out by areas.If ultimately every farmer is to be served in an entire area, the milk must be taken with the cream, the whole area must be averaged together. And the final principle is that of profit sharing."

Mr. Lilienthal told members of the cooperative that they are "not merely bringing electricity for the first time to the farms and into the homes of farmers", but "building.....American farm life upon stronger, firmer foundations."

Remarking that the power companies' "policy (of opposition to efforts of farmers to serve themselves) continues in Alabama to this day," Mr. Lilienthal said "many farmers all through this section in the very center of the largest private hydro-electric developments in the South, have tried for 20 years to obtain service from the Alabama Power Company but without success.As late as the latter part of 1937 some of you who are now members of the Tallapoosa River Electric Membership Corporation went into the field and developed a proposed line for the power company, but the company then stated that it lacked funds and did not know when it could build such a line.

"When you showed you were in earnest the company broke its 20-year sleep and went into action. Their crews built spite lines..... Agents of the power company.....told farmers that your cooperative was going to use second hand electric current,..... Your members even felt it was necessary to mount guard over your poles and lines."

"You have had a hard fight," he said, "But you will find you have many friends and supporters, too, farmers, business men, industrialists, workers. Our greatest need is to work together, townspeople, farmers, the respective branches of Government, electric membership organizations and power companies. Cooperation, not 'spite' lines and all they imply, is the keynote of these days. We must all try to find a common basis for understanding, so that all may march forward together toward the objectives of a more prosperous State, region and Nation."

(Copies of this speech are attached)

THE FUTURE OF FARM ELECTRICITY -
"SPITE" LINES OR COOPERATION?

Remarks of David E. Lilienthal, Director, Tennessee Valley Authority, at Lafayette, Alabama, November 18, 1939, 11:45 a.m., at a celebration held by the Tallapoosa River Electric Membership Corporation, an REA-financed project purchasing power from the City of Lafayette.

I am happy to be here today to join you in celebrating the launching of your new enterprise, the Tallapoosa River Electric Membership Corporation. I know the sense of satisfaction you must feel as you look upon your new rural lines, bringing electric power and all that it means to the homes and farms of this and adjoining counties. Your accomplishment is all the more remarkable because it was won only after a hard fight against odds. You have reached your first goal in an undertaking which not only called for the hard work and courage and foresight needed for any enterprise but which met the bitter and unfair opposition of a rich and powerful adversary.

What you have done and what hundreds of other REA-financed groups of farmers all over this country are doing has deep significance to Americans everywhere. What you and your fellow-farmers in Alabama, in New Hampshire, in Oregon, in Texas, are doing is not merely bringing electricity for the first time to the farms and into the homes of farmers. What you are doing goes far beyond that. You are engaged in nothing less than the building of American farm life upon stronger, firmer foundations. He who strengthens farm life has thereby given added strength to all our sacred institutions. He who for selfish reasons obstructs or delays such efforts assumes a grave responsibility to his fellow-men.

It is almost impossible to exaggerate the importance to the America of Today and to the America of Tomorrow of this movement to bring electricity to the farm. I need not enlarge on the advantages and possibilities of rural electrification before such a gathering as this: the very fact that we are gathered here today is convincing evidence that you fully realize them. Instead, I think we may well look to the future and ask ourselves what are the prospects for the extension of electricity to the nearly 9 out of 10 farms in Alabama still without what you are now to enjoy? To judge the future we must examine the past, to see why the development of farm electrification has been so long delayed, and how it is still being obstructed.

The Long Neglect of Farm Electrification.

Back in 1923 electricity was virtually unknown on the farms of Alabama, of Georgia, Tennessee, or Mississippi. In 1923, the Alabama Power Company launched what it called a "program" of rural electrification. Ten years later the state still had virtually no rural electrification. Alabama has 250,000 farms; at the end of 1932 less than 5 per cent of these farms had electric service. Other states served by the Commonwealth and Southern Corporation, of which the Alabama Power Company is a part, were no better off. Georgia has 235,000 farms, of which only 2.7 per cent were electrified in 1932. Less than four per cent of Tennessee's 240,000 farms had electric service; in Mississippi, less than one farm in a hundred.

Now, this was not because the farmers of the South did not want electricity. It was not because the farmers' wives and children did not look forward to the conveniences and the relief from drudgery which electricity had already brought their neighbors in the towns and cities. From time to time 5443

farmers would try to get extensions to their homes, but almost invariably without success. You, yourselves, are familiar with the facts: Exorbitantly high rates, demands for cash subsidies from applying farmers, and other devices.

Alabama farmers got very little electricity to help them carry on their work and increase their income between 1923 and 1933. But it was not because the Alabama Power Company or the other private power companies in the region were in a difficult financial situation. The profits of the companies were large, and substantial surpluses were created every year. In 1928, for example, the Alabama Power Company paid common stock dividends and in addition set aside a surplus of \$3,500,000; in 1929 after dividends there was a surplus of almost \$4,500,000.

The excuse is sometimes offered, in recent years, that failure of some utilities to meet their public obligations is due to governmental policies which frighten investors. That line of argument certainly falls down as an excuse for the failure of rural electricity in the South prior to 1933. There was not a cloud on the horizon that disturbed any investor, and the securities of the power holding companies were sold like hot cakes to one and sundry, including apparently a remarkably high percentage of widows and orphans. None of the incumbent Presidents suggested legislation that would in any way impair utility profits, and during that period the Muscle Shoals bills were twice vetoed. No; that period from 1923 to 1933 was as near a utility paradise as could be imagined; the streets were paved with mergers and consolidations, and stock dividends ripened on every tree. While the utilities enjoyed prosperity, even when other businesses dropped, Southern farms continued without a real electricity program.

Congress Paves the Way for Farm Electricity: TVA and REA.

Such was the situation in the spring of 1933. And then the Congress of the United States went into action on behalf of farm electricity by passing the Tennessee Valley Authority Act. In passing the TVA Act in May of 1933 the country recognized that the failure of the power companies was a matter of national concern. A new national policy was proclaimed, and that policy was this: that, private utilities having failed, it was the duty of the Government itself, in cooperation with farmers and farm organizations, to bring to the farm homes of the Tennessee Valley region, as rapidly as possible, the blessings of electricity.

And, as you know, two years later the policy first enunciated as to the Tennessee Valley region was extended to the six million non-electrified farms of the whole United States, by the terms of the Rural Electrification Act -- one of the most far-reaching measures in the interests of the average man and woman ever placed on the statute books of America.

When TVA began its task in 1933 it faced a difficult problem. Clearly, the Federal Government, through TVA, should not engage directly in selling electricity to farmers. The job could have been done more quickly that way, but it would not have been based on sound principles of democracy.

The democratic way was to have the electricity distributed through organizations created by and speaking for the farmers themselves. And, best of all, we hoped that farmers and townspeople could join together in agencies to distribute power, because that meant economies and efficiency in operation, and because it would bring closer together the common interests of farmers and business men.

Principles of Farm Electric Cooperatives.

Early in 1934, the first TVA cooperative electric associations were formed and commenced operations in northern Mississippi. They were founded on certain principles which are well worth repeating at this celebration.

First, there was the principle that the farmers of America have a right to demand and expect the benefits and advantages of electricity, provided they will do their share at the grass roots to reach that objective. Through TVA the national government and the farmers became partners in a joint enterprise: partners because farm electrification is a matter of national, as well as individual, concern. Your own association again demonstrates that partnership, this time between the farmers and REA. That partnership is based on the right of the farmers to call upon their Government in a matter so close to their welfare, and upon the right of the Government to call upon the farmers to shoulder the local responsibilities of carrying out the project among their neighbors.

The second principle involved is that farm electrification should be carried out by areas. If lines are built only along the more densely populated roads, in other words if only the "cream" of the area is served, that means that the bulk of the farmers are doomed forever to be without electricity on a self-supporting basis. It would never be feasible as a financial matter to serve the rest of the territory if the cream were skimmed off. If ultimately every farmer is to be served in an entire area, the milk must be taken with the cream, the whole area must be averaged together.

And the final principle is that of profit sharing. These associations were incorporated as private associations, but profits were to be shared in the form of reduced rates. It did not seem appropriate that the public service of bringing electricity to the farmers should be made to yield a profit to anyone any more than anyone should profit from furnishing the farmer highways or parcel post service.

In passing, it will interest you to know that the Alcorn County Electric Power Association in Mississippi, one of the first of many similar organizations, including your own, has been highly successful financially. Last summer, on the fifth anniversary of its birthday, the board of directors of the Association paid off the last dollar of its long term debt. The Association is continuing to improve its financial position, is building more lines, and last August reduced electric rates to its members to a maximum rate of 2-1/2 cents a kilowatt-hour, establishing a new and lower TVA yardstick rate.

Not every association can repeat this remarkable record, but every association can follow the principles upon which it was founded and their members can give to the work of their association loyalty, freedom from politics in administration, and devotion to the objectives for which their organizations were created.

The formation of the Mississippi cooperatives was followed shortly, in 1935 and 1936, by the launching of similar projects in the Tennessee Valley area-- in Tennessee, Alabama, and Georgia. It appeared that the efforts of the farmers of the region to find a way to get electricity into their homes and on to their farms were on the road to success.

But just at this hopeful time certain private utilities of the South launched a broadside attack against these new projects. A common policy among the southern companies of the Commonwealth and Southern system was apparent. Obstructive lawsuits, the spreading of false reports, and the building of what

Tennessee farmers aptly named "spite lines" became accepted practice of the companies. When the farmers organized their own associations and, in cooperation with the Government, proceeded to go after the electric service they had so long desired, the Commonwealth and Southern Companies in Alabama, Georgia and Tennessee said, in effect:

"We have not provided you with widespread rural electrification; we will not let you achieve it for yourselves."

This policy continues in Alabama to this day, as the members of the Tallapoosa Association know only too well. This comes as a great disappointment and a surprise to me. Last winter the power companies of the southeast and the TVA, after years of controversy, worked out their differences in a spirit of compromise and reasonableness. I thought that the Alabama Power Company would, in like spirit and following the lead of other utilities, inaugurate a policy of harmony with cooperative associations like your own, and with REA. Instead, you have been the object of the same old policy of antagonism and obstruction.

You members of this association have felt the blows of this policy. Many farmers all through this section in the very center of the largest private hydroelectric developments in the South, have tried for twenty years to obtain service from the Alabama Power Company but without success. One of the directors of your electric cooperative, after trying for nineteen years to secure service, was told by the power company that it would take under consideration the building of a line to his home, about two miles in length, provided he would agree to pay \$1,500 in cash and a minimum bill of \$50 a month. As late as the latter part of 1937 some of you who are now members of the Tallapoosa River Electric Membership Corporation went into the field and developed a proposed line for the power company, but the company then stated that it lacked funds and did not know when it could build such a line. At a later date, a director of your cooperative offered to turn all the proposed customers of your association over to the power company, the cooperative to withdraw, provided the rates would not be greater than those you proposed to make. This offer was rejected. And then, when you showed you were in earnest and your cooperative moved ahead, the company broke its twenty year sleep and went into action. Their crews built spite lines costing in the neighborhood of \$100,000, to parallel and duplicate your cooperative lines. Agents of the power company went into the field and told farmers that your cooperative was going to use second-hand electric current; that 5 kilowatts of Alabama Power Company electricity was equal to 20 kilowatts from the cooperative; that if they joined the cooperative the Government would have a mortgage on their farm. Later the Company argued that the state finance director should not approve your REA financing, and put you to needless expense and worry. Your members even felt it necessary to mount guard over your poles and lines. It was not so long ago that your neighbors to the North, the members of the Cherokee Association, found themselves fighting similar tactics on the part of the Alabama Power Company.

Your experience in Alabama has not been unique. Over in Tennessee another Commonwealth and Southern Company practiced the same tactics. The residents of Beech Grove, a small rural community in Bedford County, had an experience in which there was more than an element of humor. For a number of years they had importuned the Tennessee Electric Power Company for service. At one time they got together \$1,500 and banked it to the credit of the Company to pay for lines to Beech Grove. One man cut and stacked the necessary poles as his contribution. But the line poles rotted on the ground and some of the people spent two years getting their money back, for no electric service appeared.

Then a cooperative association was formed, and Beech Grove citizens gathered one night to plan for electric service. While they were meeting, a power company construction crew materialized out of the night. By 10 o'clock that night Beech Grove, after having sought electric service for years, was lighted by two dim street bulbs. The \$100,000,000 Tennessee Electric Power Company had brought electricity to Beech Grove at last -- via a couple of cedar poles, two or three hundred feet of wire, and, as a newspaper reporter described it, "a rented Delco plant in a hog wallow." The nearest line of the Company was 14 miles away.

What a spectacle such a policy and such activities present: a corporation, an artificial person, deriving all its many powers by the grace of the flesh and blood people of a state, fighting the very people who gave the corporation the right to live, trying to obstruct their cooperative efforts to improve their way of living. Is it any wonder that in spite of expensive advertising campaigns in the newspapers through the length and breadth of this state, in spite of retainers to prominent and influential lawyers throughout Alabama, the public relations of the Alabama Power Company are still so notoriously bad? How long will it take the management of private utilities to realize that fighting their own neighbors and potential customers is a short-sighted business policy? What storekeeper in Lafayette would be stupid enough to fight the farmers of his own trade area?

Change of Dog-in-Manger Policy Looked For.

I am optimist enough to believe that after further deliberation the Alabama Power Company will conclude to end this dog-in-the-manger policy of fighting farmers' cooperatives, a policy that deprives farmers of a way of living which they greatly desire and for which they are ready to pay, and yet which does no harm to the private companies. The same policy deprives business men and manufacturers and workmen throughout Alabama and the country of opportunities for the production and sale of electric refrigerators, washing machines, poles, wire, electric water pumps, and many other things for which electrification produces a demand. There are thousands upon thousands of farm homes in this state which do not have electric service. These farm homes constitute a great market, one of the greatest prospective markets for American business, a market not based on a war boom, or any other boom, nor like sales to South America or other countries with all their complexities. It is a market based upon the building up of American farm life, with the consequent strengthening of our country through strengthening its people.

We in the South are not the only ones who must contend with this short-sighted attitude. From way up in Vermont comes a similar story. The other day at a cooperative celebration like this one the Governor of Vermont, a man of conservative views, the Honorable George D. Aiken, had this to say of the situation in the Green Mountain State: some private utilities, he said,

"unfortunately, appear to be under the control of those who have no sentimental attachment for Vermont and little interest in us. Their motive seems to be to get the last drop of blood at as little expense to themselves as possible. Therefore, they lack the desire to serve thinly populated rural areas and apparently they cannot see the possibilities of future development."

The "possibilities of future development" are there, and most people recognize that fact. In the long run, I am confident of the ultimate success of rural electricity in Alabama and the South. There is hope in the work, which has been done so far, as exemplified by your accomplishment which we are celebrating here today. It does not mean merely that you now have electric service which provides the conveniences which your neighbors in towns and cities have long enjoyed. It goes far beyond that.

Raising of South's Income Linked With Rural Electricity.

In a very real and practical sense, the lines stretching out over the Alabama countryside from this city of Lafayette are a symbol of what is happening in the South today. They are a symbol of the courageous and determined spirit with which the people of the South are attacking its problems.

The central problem which we face in the South today is that of increasing our income. This is a region of almost unparalleled natural resources. Here, we have a favorable climate and soil, rich forests and minerals -- all the elements of natural wealth. And we have men and women capable of transforming this natural wealth into the things that are needed for a high standard of living. The combination of these natural resources and of a sturdy and self-reliant people should mean comfortable livelihood, security, and physical well-being for all our people.

Yet we know that this has not been the case. The South has long suffered from the fact that it has developed -- for reasons into which we do not need to go now -- as a raw materials area. It has, for example, shipped away its raw cotton to the world markets, thereby benefiting the nation by giving it the credits it needed for international trade, but at a great cost to the South. For with that cotton -- in the cotton seed -- the South has shipped away a part of its capital, the fertility of its soil. There are other examples, too numerous to mention. There are such factors as discriminatory freight rates, brought out so clearly in a report prepared for TVA by an Alabama farm boy, J. Haden Alldredge, a native of Blount County, now a member of the Interstate Commerce Commission.

A few figures point up our common problem. In 1938, the average effective buying income per family in Alabama was \$1,186; in Tennessee it was \$1,642, in Georgia \$1,745; and in Mississippi \$984. Compare these figures with the national average of \$2,252, with California's \$2,837, with New York's \$3,126, and Illinois' \$2,341. There, in stark outline, is the problem of those of us who live and work in the South -- to raise the income of this region and its people to an equitable level with other sections of the country.

There are many things which must be done if we are to achieve that goal. One of the most important of all is rural electrification -- real rural electrification and not the piecemeal, cream-skimming brand which has been all too common.

Electricity on the farm can contribute much to agriculture. There are almost countless ways in which it can be used, not only to provide home conveniences and lighten the burden of the farm housewife, but to contribute to farm income and to place farm operations on a more stable basis. It may help to open the way to a more diversified, soil-conserving type of farming by providing some of the income for which the farmer must now depend largely on single cash crops, such as cotton.

In the TVA our technical staff, working for six years with state engineering schools and extension services, has developed new machinery using electricity to make electricity help pull up the farmers' income. With the results of this six years of work I am sure you are fairly familiar. I will not take your time today to describe it, except to say that, like everything else the TVA technical forces do, it belongs to you and to all the other stockholders of TVA, the 130 million people of the country.

You have had a hard fight. But you will find you have many friends and supporters, too, farmers, business men, industrialists, workers -- everyone who comes to see the importance of widespread electrification in the building of a stronger, more prosperous South. I look forward hopefully to a change of policy so the Alabama Power Company will also be found in these ranks, along with other utility companies. On behalf of the Authority, I want to extend to you now any help that TVA may be able to give as a result of our experience and research in the past five years.

Cooperation and Unity as Need of Times.

In these troubled times our greatest need is to work together, towns-people, farmers, the respective branches of Government, electric membership organizations and power companies. Cooperation, not "spite" lines and all they imply, is the keynote of these days. We must all try to find a common basis for understanding, so that all may march forward together toward the objectives of a more prosperous state, region and nation.

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